



MONTGOMERY COUNTY COUNCIL
ROCKVILLE, MARYLAND

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DISTRICT 1

HELP – Home Energy Loan Program

Sponsored by Montgomery County Council Vice President Berliner
Cosponsored by Councilmembers Elrich, Floreen, Ervin, Leventhal, and Trachtenberg

* As studies have shown, one-third of all greenhouse gas emissions in our region come from our existing housing stock. Historically, there have been three principle barriers to homeowners making significant investments in energy efficiency: (1) they don't know what they need to do; (2) they may not have the resources in this economy to invest the dollars necessary to make a significant difference; and (3) even if they have the resources, home owners don't know if they will be in their homes long enough to pay for the improvements. HELP addresses all of those issues directly.

* Under HELP, a homeowner would obtain a home energy audit from a certified auditor. The details of the audit, i.e., whether the audit should use a “blower door” or some other technology, will be determined by the Department of Environment.

* The audit will identify the universe of cost effective measures as well as a package of measures that based on the economics of the loan and projected energy savings would result in *a net savings to the home owner* (i.e., the amount by which the reduction in projected utility costs exceeds loan payments).

* The cost effectiveness test is based on the number of years required for the cost of the energy efficiency device to be recouped in energy savings (the “pay-back” period). It is expected that the payback period will be in the range of 7 years.

* The homeowner would take the results of the audit to the County or its designee (including a non-profit or private sector entity that could administer the program). The County would provide a zero or low interest loan to fund the cost effective measures which could include the cost of the audit.

* The loan is secured through a lien on the homeowner's property. *This is the critical piece that local governments uniquely bring to the equation: the loan would be repaid over no less than 15 years (except where prepayment is desired by the homeowner) as a voluntary additional line item on the property tax. Thus, the obligation runs with the property not the homeowner that took out the loan.* This means that a homeowner no longer has to do a cost

benefit analysis based on how long they may own the home. Instead, the homeowner only has to calculate their net annual savings in the form of reduced utility bills.

- * The County has estimated that a \$5,000 zero interest loan (assuming federal funds for this purpose) would result in homeowners having \$230 more a year in their pocket after paying their annual loan payment while reducing their greenhouse gas emissions by more than 20%.

- * The interest rate on the loan will be determined by the source of funds (federal grants/federal and local bonds/private banks) and administrative costs. Montgomery County intends on using funds from the Local Government Energy Efficiency Block Grant federal stimulus dollars as the initial “seed” money to jumpstart the program. This source will allow the County to keep the interest rates very low.

- * HELP is a revolving fund. Once the initial capitalization costs are covered, the securitization of the loans through the property tax add-on virtually guarantees that the loans will be repaid, and available for new homeowners. Congressman Van Hollen has introduced legislation that would provide federal funds for this purpose.

- * The legislation is supported by a broad coalition of business and environmental groups, including the real estate community, builders, and the Sierra Club.

- * Independent surveys have shown strong interest and support by homeowners for the program. It is expected that there will be very substantial demand for the program.

- * Program implementation will be a significant undertaking. The legislation gives the Montgomery County Department of Environment six months to develop regulations.

- * HELP should allow homeowners to improve their energy efficiency, reduce greenhouse gas emission, create green jobs, and put additional money in our homeowners’ pockets.